

# Fortis Healthcare Ltd.

## Improvement in patients mix to drive revenue

Fortis delivered a healthy Q3FY23 results, driven by strength in hospital business. The diagnostic business continues to see pressure due to high covid base, however the EBTDA margins have improved sequentially. We expect strong growth in hospital business to continue with capacity debottlenecking, case mix improvement and increase in ARPOB. We expect revenue CAGR of 13% from FY23-FY25E as the high-end surgeries would continue to increase leading to improved case mix. Around 1500 beds would be added in the next 4-5 financial years. The patients mix and occupancy to improve from 63% in FY22 to 70%-75% by FY25E going forward. The SRL diagnostics business is showing initial signs of stabilization in the aftermath of the covid surge and the challenging industry environment. SRL continues to focus on improving its channel mix and adding to its specialized test menu such as those in the area of genomics. On an overall basis, we are positive about the growth prospects of both Hospitals and SRL, and accordingly we recommend an "Buy" rating on the stock.

### Hospital business boosted by higher international patients

- Q3FY23 Hospitals business revenue witnessed growth of 13.4% YoY and degrew 2.4% QoQ to Rs 12,674 Mn mainly due to increased occupancy level (66%), increase in ARPOB by 8.6% YoY at Rs. 55,342.
- International patient revenues grew 73% YoY to Rs. 1,140 Mn in Q3FY23. International patient revenue contribution increased to 9.0% of hospital revenues versus 5.9% and 8.4% in Q3FY22 and Q2 FY23 respectively.
- EBITDA margins for the hospital business contracted by 150 bps QoQ and 10 bps YoY to 16.7%. EBITDA in the quarter was Rs. 2,110 Mn for Q3FY23.

### Diagnostic business continues to show improvement sequentially

- Diagnostics business gross revenues declined 14.7% YoY to Rs 3,315 Mn versus Rs 3,885 Mn in Q3FY22. It witnessed decline on sequential basis as well by 5.6%. Diagnostics revenues was impacted by the decline in covid volumes. Non covid revenues however grew 7% YoY for the quarter.
- The diagnostics business EBITDA was Rs 711 Mn in Q3FY23 versus Rs 977 Mn in Q3FY22 with margin of 21.4%. SRL's revenue contribution from the specialized test portfolio (non-covid) increased to 33% from 30% in Q3 FY22.

### Outlook and Valuation:

We are positive about the prospects connected with Fortis. Both the Hospitals business and SRL should perform robustly in the future. **We have valued the Hospitals business at 18x on FY25e EV/EBITDA and the Diagnostics business (SRL) at 18x on FY25e EV/EBITDA to arrive at a Target Price of Rs 380. This provides an upside of 40% with respect to the current market price. Accordingly, we recommend a "Buy" rating on the stock.**

Y/E Mar (Rs mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	Q3 FY23e	Var. (%)
Net sales	15,599	14,667	6.4%	16,072	-2.9%	17,674	-11.7%
Operating costs	12,834	11,797	8.8%	13,043	-1.6%		
EBITDA	2,764	2,869	-3.7%	3,029	-8.7%	2,809	-1.6%
EBITDA Margin (%)	17.7%	19.6%	(184) bps	18.8%	(113) bps	15.9%	183 bps
Depreciation	828	761	8.7%	769	7.6%		
Interest	334	381	-12.3%	328	1.7%		
Other income	117	67	74.9%	155	-24.7%		
Share of profit/(loss) of associates and JVs	141	135	4.5%	591	-76.2%		
PBT	1,861	1,929	-3.5%	2,678	-30.5%		
Provision for tax	440	512	-14.1%	496	-11.4%		
Effective tax rate (%)	23.6%	26.5%	(292) bps	18.5%	511 bps		
Minority Interest	126	250	-49.7%	139	-9.4%		
Consolidated PAT	1,296	1,167	11.0%	2,044	-36.6%	1,126	15.1%
PAT Margin (%)	8.3%	8.0%	35 bps	12.7%	(441) bps	6.4%	193 bps

Source: AceEquity, SMIFS research

Y/E Mar (Rs Mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT (Adj)	YoY (%)	EPS (Adj)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY21	40,299	-13.0	4,042	10.0	-1,109	NA	(1.5)	-1.6	43.4	NA	29.0
FY22	57,176	41.9	8,762	15.3	1,261	NA	1.7	1.8	5.4	153.2	23.1
FY23e	63,419	10.9	11,216	17.7	5,392	327.6	7.2	7.5	8.0	38.9	19.1
FY24e	75,401	18.9	13,906	18.4	7,608	41.1	10.1	9.6	10.0	27.6	14.9
FY25e	82,015	8.8	15,793	19.3	8,944	17.6	11.9	9.9	10.5	23.5	12.4

Source: AceEquity, SMIFS research



Rating: **Buy** Upside: **40%**  
Current Price: **272** Target Price: **380**

### Earlier recommendation

Previous Rating: **Buy**  
Previous Target Price: **360**  
Source: SMIFS Research

### Market data

Bloomberg:	FORH IN
52-week H/L (Rs):	325/220
Mcap (Rs bn/USD mn):	205/2,469
Shares outstanding (mn):	754.9
Free float:	69.0%
Avg. daily vol. 3mth:	0.5 mn
Face Value (Rs):	10

Source: Bloomberg, SMIFS Research

### Shareholding pattern (%)

	Dec-22	Sep-22	Jun-22	Mar-22
Promoter	31.2	31.2	31.2	31.2
FII	31.0	30.6	29.6	29.8
DII	20.4	16.9	16.3	15.5
Public	17.4	21.3	22.9	23.5

### Promoter pledging (%)

Pledging	0.0	0.0	0.0	0.0
----------	-----	-----	-----	-----

Source: BSE

### Price performance (%)\*

	1M	3M	12M	36M
Nifty 50	-1.0	-3.5	2.2	45.9
Nifty 500	-2.9	-4.7	0.0	48.7
FORH	-5.3	-3.5	5.0	72.6

\*As on 14th Nov 2022; Source: AceEquity, SMIFS research

### Dhara Patwa

Sector Lead – Pharma & Healthcare  
9766492546/022 4200 5511  
dhara.patwa@smifs.com

### Awanish Chandra

Executive Director  
8693822293  
awanish.chandra@smifs.com

## Q3FY23— Key takeaways from the management call

### Hospitals Business:

- There was an exceptional gain of Rs. 141 Mn which pertains to reversal of impairment in an associate Company.
- ARPOB increased by 8.6% on a YoY basis to Rs 55,342 per day because of higher surgical procedures, better mix and growth in international patients' revenue. In the quarter contribution from surgical revenue stood at 59% compared to 57% in Q3FY22.
- The international patients contribution has increased to 9% in Q3FY23, where major flow of international patients is seen in FMRI, Noida and Ludhiana hospitals.
- **The hospitals in Punjab, Ludhiana and Delhi NCR will continue to perform better in Q4FY23 as well due to good seasonal benefit.**
- The next level of growth will come from increase in occupancy levels. Some assets such as Bangalore are at occupancy level of 65%. Management expects occupancy level to improve further.
- The doctors cost in the quarter was high at 21.1% to sales as compared to 20.6% in Q2FY23, this was due to higher number of surgeries which resulted in higher payout. The attrition amongst the senior doctors for Fortis is 6% which is lowest amongst the categories.
- Currently the employee situation is stable, but going ahead, a bid war could happen due to demand supply mismatch for employees.
- Chennai Hospital is still bleeding, which has dragged the overall hospitals margins. Excluding this, the hospitals EBITDA margin would have been 18.1%.
- Proportion of high-end surgical procedures will increase in the future. Going ahead, the managements does not want to increase price, they will rather focus on increasing the case mix.
- **The expansion plans in select hospitals is on track. 1200 beds will get added in the system in the next 4-5 years. 50% of the beds will added to Delhi NCR, Bangalore 200 and Kolkata 200 beds each where as for Mumbai region 110 beds will added.**
- Fortis believes that occupancies at its hospitals will be in the 70% plus mark in 2 years' time.
- Inorganic Growth: Management is open for acquisitions in locations where they already have cluster presence. Cities such as Delhi NCR, Bangalore and Mumbai will be preferred locations for acquisitions.
- In Rajasthan and West bengal, due to some political mandate, Fortis has signed up for govt schemes for two of its hospitals. The management plans to keep the contribution from scheme patients to 15%. The pricing for scheme patients is 40% lower than cash and TPA.

### Diagnostics Business (SRL):

- The company plans to enter into genomic testing which will lead to robust growth going forward.
- The pricing environment is stable for the diagnostics industry as a whole particularly for the chronic and acute diseases. Pricing pressures are witnessed in the wellness segment as there is high competition in this segment.
- SRL will maintain EBITDA margin in the range of 20-21% in the near to medium term.

### Other Matters:

- The capex for FY23 and FY24 would be between Rs 5000-6000 Mn per year which will be a mix of both maintenance and developmental capex. Going ahead, capex per quarter will go up from Rs. 1000-1050 Mn to Rs. 1250-1500 Mn per qtr.
- Government initiative of Heal in India will help positively. Since, international business

is completely deregulated business. Once this program is matured, there will be more visibility and transparency which will make it a better playing field.

- The major international patients are from Africa and middle east countries such as Yemen and Qatar.

## Outlook and Valuation

We are positive about the prospects connected with Fortis. Both the Hospitals business and SRL should perform robustly in the future. **We have valued the Hospitals business at 18x on FY25e EV/EBITDA and the Diagnostics business (SRL) at 18x on FY25e EV/EBITDA to arrive at a Target Price of Rs 380. This provides an upside of 40% with respect to the current market price. Accordingly, we recommend a “Buy” rating on the stock.**

**Fig 1: SOTP Valuation Metrics for FY25E**

Rs mn	Hospitals	Pharmacies	Total (Rs. Mn)
EBITDA	12,718	3,075	15,793
Applied EV / EBITDA	18x	18x	18.00
Sales	62,827	15,870	78,698
Applied EV / Sales	3.6x	3.6x	3.6
Computed EV	228,922	55,353	284,274
Less: Minorities interest (benefit)			9,783
Less: Net debt / (cash)			(15,155)
Computed Equity Value (Rs. mn)			289,646
<b>Target price per share</b>			<b>380</b>

Source: SMIFS Research

**Fig 2: Key Assumptions table**

YE March in Rs Mn	FY20	FY21	FY22	FY23e	FY24e	FY25e
<b>Revenues</b>						
Hospitals	37,529	31,236	42,636	51,087	60,453	65,220
Diagnostics	8,791	9,063	14,539	12,332	14,949	16,795
<b>Total Revenue</b>	<b>46,320</b>	<b>40,299</b>	<b>57,176</b>	<b>63,419</b>	<b>75,401</b>	<b>82,015</b>
<b>EBITDA</b>						
Hospitals	5,737	3,576	6,571	9,134	11,184	12,718
Diagnostics	358	466	2,191	2,082	2,722	3,075
<b>Total</b>	<b>6,095</b>	<b>4,042</b>	<b>8,762</b>	<b>11,216</b>	<b>13,906</b>	<b>15,793</b>
<b>EBITDA Margin</b>						
Hospitals	15.3%	11.4%	15.4%	17.9%	18.5%	19.5%
Diagnostics	4.1%	5.1%	15.1%	16.9%	18.2%	18.3%
<b>Total</b>	<b>13.2%</b>	<b>10.0%</b>	<b>15.3%</b>	<b>17.2%</b>	<b>18.4%</b>	<b>19.2%</b>
<b>Revenue Contribution</b>						
Hospitals	81.0%	77.5%	74.6%	80.9%	81.0%	80.4%
Diagnostics	19.0%	22.5%	25.4%	19.1%	19.0%	19.6%

Source: SMIFS Research

**Fig 3: Key Parameters**

YE March	FY20	FY21	FY22	FY23e	FY24e	FY25e
<b>Hospitals</b>						
<b>Number of Operational Beds</b>	3,700	3,807	4,100	4,097	4,229	4,669
<b>Occupancy level</b>	68.0%	55.0%	63.0%	68.0%	72.0%	72.0%
<b>ARPOB</b>	41,644	43,288	49,315	53,836	55,313	56,419
<b>Diagnostics</b>						
<b>Number of Tests in Mn</b>	38.3	24	44	40	43	46
<b>Avg realization per test in Mn</b>	289	385	328	317	351	368

Source: SMIFS Research

**Fig 4: Change in Estimates**

Particulars	New Estimates			Old Estimates			Change		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenues	63,419	75,401	82,015	67,277	78,866	85,690	-5.7%	-4.4%	-4.3%
Gross Profit	49,074	59,066	64,199	52,478	61,841	67,143	-6.5%	-4.5%	-4.4%
Gross Margin	77.4%	78.3%	78.3%	78.0%	78.4%	78.4%	(62) bps	(8) bps	(8) bps
EBITDA	11,216	13,906	15,793	11,553	14,547	16,493	-2.9%	-4.4%	-4.2%
EBITDA Margin (%)	17.7%	18.4%	19.3%	17.2%	18.4%	19.2%	51 bps	(0) bps	1 bps
PAT	5,392	7,608	8,944	5,208	7,211	8,633	3.5%	5.5%	3.6%
EPS	7.2	10.1	11.9	6.9	9.6	11.5	3.9%	5.3%	3.4%

Source: SMIFS Research

**Fig 5: 1-year forward EV/EBITDA**


Source: AceEquity, SMIFS Research

## Quarterly financials

**Fig 6: Quarterly Financials**

Y/E March (Rs Mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Net Sales</b>	<b>12,523</b>	<b>14,101</b>	<b>14,625</b>	<b>14,667</b>	<b>13,781</b>	<b>14,879</b>	<b>16,072</b>	<b>15,599</b>
COGS	2,963	3,496	3,508	3,336	3,232	3,492	3,649	3,583
Employee Costs	4,598	4,931	5,132	5,485	5,195	5,650	5,992	5,915
Other Expenditure	2,990	2,924	3,141	2,976	3,143	3,226	3,402	3,337
<b>EBITDA</b>	<b>1,972</b>	<b>2,750</b>	<b>2,844</b>	<b>2,870</b>	<b>2,212</b>	<b>2,511</b>	<b>3,029</b>	<b>2,764</b>
Depreciation	715	729	745	761	773	743	769	828
Interest	406	384	403	381	300	312	328	334
Other Income	63	78	80	67	60	207	155	117
Profit/(loss) of asso.	187	85	42	51	63	100	75	26
Exceptional gain/(loss)	2	3,061	3	84	2	-	516	115
<b>Reported PBT</b>	<b>1,102</b>	<b>4,862</b>	<b>1,820</b>	<b>1,930</b>	<b>1,265</b>	<b>1,763</b>	<b>2,678</b>	<b>1,861</b>
Tax	480	558	514	512	394	420	496	440
Tax rate (%)	43.6%	11.5%	28.2%	26.5%	31.2%	23.8%	18.5%	23.6%
Minority Interest	192	1,671	237	250	191	121	139	126
<b>Consolidated PAT</b>	<b>430</b>	<b>2,260</b>	<b>683</b>	<b>1,167</b>	<b>33</b>	<b>1,223</b>	<b>2,044</b>	<b>1,296</b>
<b>Adjusted PAT</b>	<b>430</b>	<b>(421)</b>	<b>681</b>	<b>1,106</b>	<b>271</b>	<b>1,223</b>	<b>1,483</b>	<b>1,184</b>
<b>YoY Growth (%)</b>								
Revenue	12.5%	132.8%	47.0%	24.6%	10.0%	5.5%	9.9%	6.4%
EBITDA	56.7%	NA	136.6%	50.8%	12.2%	-8.7%	6.5%	-3.7%
PAT	NA	NA	NA	116.7%	-92.3%	-45.9%	199.3%	11%
<b>QoQ Growth (%)</b>								
Revenue	6.4%	12.6%	3.7%	0.3%	-6.0%	8.0%	8.0%	-2.9%
EBITDA	3.6%	39.5%	3.4%	0.9%	-22.9%	13.5%	20.6%	-8.7%
Conso. PAT	44.6%	425.1%	-69.8%	-5.5%	-94.9%	3609.5%	67.2%	-36.6%
<b>Margin (%)</b>								
RMC/revenue (%)	23.7%	24.8%	24.0%	22.7%	23.4%	23.5%	22.7%	23%
Gross margin (%)	76.3%	75.2%	76.0%	77.3%	76.6%	76.5%	77.3%	77.0%
Employee cost/revenue (%)	36.7%	35.0%	35.1%	37.4%	37.7%	38.0%	37.3%	37.9%
Other expenses/revenue (%)	23.9%	20.7%	21.5%	20.3%	22.8%	21.7%	21.2%	21.4%

Source: AceEquity, SMIFS Research

## Financial Statements

Income Statement					
YE March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Net Sales</b>	<b>40,299</b>	<b>57,176</b>	<b>63,419</b>	<b>75,401</b>	<b>82,015</b>
COGS	9,759	13,572	14,345	16,335	17,816
% of sales	24.2	23.7	22.6	21.7	21.7
Personnel	8,490	9,729	10,925	13,449	14,540
% of sales	21.1	17.0	17.2	17.8	17.7
Other Expenses	9,918	12,172	13,621	15,943	17,002
% of sales	24.6	21.3	21.5	21.1	20.7
Professional charges to doctors & other hospital fees	8,090	12,940	13,312	15,769	16,865
% of sales	20.1	22.6	21.0	20.9	20.6
<b>EBITDA</b>	<b>4,042</b>	<b>8,762</b>	<b>11,216</b>	<b>13,906</b>	<b>15,793</b>
Other Income	466	273	609	900	900
Depreciation & Amortisation	2,906	3,008	3,167	3,076	3,019
<b>EBIT</b>	<b>1,602</b>	<b>6,027</b>	<b>8,658</b>	<b>11,730</b>	<b>13,674</b>
Finance Cost	1,659	1,469	1,312	743	729
<b>Core PBT</b>	<b>-523</b>	<b>4,285</b>	<b>6,737</b>	<b>10,087</b>	<b>12,045</b>
Exceptional items	12	3,150	631	0	0
<b>Reported PBT</b>	<b>-45</b>	<b>7,709</b>	<b>7,977</b>	<b>10,987</b>	<b>12,945</b>
Tax-Total	995	1,978	1,833	2,787	3,276
Effective tax rate (%)	NA	25.7	23.0	25.4	25.3
<b>PAT before MI and Asso.</b>	<b>-1,040</b>	<b>5,731</b>	<b>6,144</b>	<b>8,200</b>	<b>9,669</b>
Share of profit/(loss) of associates and JVs	476	242	235	160	160
Minority Interest	536	2,348	514	752	885
<b>Consolidated PAT</b>	<b>-1,100</b>	<b>3,624</b>	<b>5,865</b>	<b>7,608</b>	<b>8,944</b>
<b>Adjusted PAT</b>	<b>-1,109</b>	<b>1,261</b>	<b>5,392</b>	<b>7,608</b>	<b>8,944</b>

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY21	FY22	FY23E	FY24E	FY25E
<b>Growth ratios (%)</b>					
Net sales	-13.0	41.9	10.9	18.9	8.8
EBITDA	-33.7	116.8	28.0	24.0	13.6
Adjusted PAT	-1059.7	-213.7	327.6	41.1	17.6
<b>Margin Ratio (%)</b>					
Gross Profit	75.8	76.3	77.4	78.3	78.3
EBITDA Margin	10.0	15.3	17.7	18.4	19.3
EBIT Margin	4.0	10.5	13.7	15.6	16.7
Core PBT	-1.3	7.5	10.6	13.4	14.7
PAT (Adjusted) Margin	-2.8	2.2	8.5	10.1	10.9
<b>Return Ratio (%)</b>					
ROE	-1.6	1.8	7.5	9.6	9.9
ROCE	43.4	5.4	8.0	10.0	10.5
<b>Turnover Ratio days (days)</b>					
Gross Block Turnover (x)	1.1	1.4	1.4	1.6	1.6
Adj OCF / Adj PAT (%)	NA	569.8	151.2	139.7	164.0
Inventory	29	23	23	23	23
Debtors	35	38	38	38	38
Creditors	205	205	205	205	205
Cash Conversion Cycle	-141	-144	-144	-144	-144
<b>Solvency Ratio (%)</b>					
Debt-equity (x)	0.2	0.2	0.1	0.1	0.1
Net Debt-equity (x)	0.2	0.1	0.1	-0.0	-0.2
Gross Debt / EBITDA	3.6	1.5	0.9	0.5	0.4
Current Ratio	1.0	1.1	1.2	1.5	2.3
Interest coverage ratio (x)	1.0	4.1	6.6	15.8	18.7
<b>Dividend</b>					
DPS	-	-	-	-	-
Dividend Yield (%)	NA	NA	NA	NA	NA
Dividend Payout (%)	0.0	0.0	0.0	0.0	0.0
<b>Per share (Rs)</b>					
Basic EPS (reported)	-1.5	-1.5	7.8	10.1	11.9
Adjusted EPS	-1.5	1.7	7.2	10.1	11.9
CEPS	2.4	5.7	11.4	14.2	15.9
BVPS	89.3	93.2	99.2	111.4	128.1
<b>Valuation</b>					
P/E	NA	153.2	38.9	27.6	23.5
P/BV	1.7	2.9	2.9	2.5	2.0
EV/EBITDA	29.0	23.1	19.1	14.9	12.4
EV/Sales	2.7	3.4	3.3	2.8	2.6
Adj Mcap/Core PBT	NA	44.1	30.4	19.8	15.6
Adj Mcap/Adj OCF	32.2	26.3	25.1	18.8	12.8

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Sources of funds</b>					
Capital	7,550	7,550	7,550	7,550	7,550
Reserves & Surplus	59,629	62,533	67,072	76,232	88,828
<b>Shareholders' Funds</b>	<b>67,178</b>	<b>70,083</b>	<b>74,621</b>	<b>83,782</b>	<b>96,378</b>
<b>Total Loan Funds</b>	<b>14,426</b>	<b>12,903</b>	<b>9,978</b>	<b>6,824</b>	<b>6,704</b>
Other Non Current	20,045	25,743	25,523	25,579	25,615
Liabilities					
<b>Total Liabilities</b>	<b>101,649</b>	<b>108,729</b>	<b>110,122</b>	<b>116,185</b>	<b>128,697</b>
<b>Application of funds</b>					
Gross Block	37,590	41,820	45,150	48,480	51,810
Net Block	39,716	41,746	52,282	52,536	52,762
Capital WIP	1,631	1,934	2,700	3,500	4,000
<b>Investments</b>	<b>1,860</b>	<b>1,036</b>	<b>1,271</b>	<b>1,431</b>	<b>1,471</b>
<b>Other non-current asset</b>	<b>58,007</b>	<b>62,828</b>	<b>51,865</b>	<b>51,941</b>	<b>51,974</b>
Inventories	768	1,229	905	1,031	1,124
Sundry Debtors	3,899	5,122	6,603	7,850	8,539
Cash & Bank Balances	4,166	4,127	5,381	9,880	21,502
Other Current Assets	1,500	826	1,507	1,509	1,659
<b>Total Current Assets</b>	<b>10,332</b>	<b>11,304</b>	<b>14,396</b>	<b>20,270</b>	<b>32,824</b>
Sundry Creditors	5,482	6,609	8,058	9,176	10,008
Other Current Liabilities	4,416	3,509	4,334	4,318	4,326
<b>Total Current Liabilities</b>	<b>9,898</b>	<b>10,119</b>	<b>12,392</b>	<b>13,494</b>	<b>14,334</b>
<b>Net Current Assets</b>	<b>434</b>	<b>1,185</b>	<b>2,004</b>	<b>6,776</b>	<b>18,490</b>
<b>Total Assets</b>	<b>101,649</b>	<b>108,729</b>	<b>110,122</b>	<b>116,185</b>	<b>128,697</b>

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Operating profit before WC changes</b>	<b>4,507</b>	<b>10,870</b>	<b>12,456</b>	<b>14,806</b>	<b>16,693</b>
Net changes in working capital	-127	-102	-1,160	-647	-489
Taxes Paid	475	-2,114	-1,833	-2,787	-803
<b>Cash flow from operating activities (a)</b>	<b>4,855</b>	<b>8,654</b>	<b>9,462</b>	<b>11,372</b>	<b>15,402</b>
<b>Adj OCF</b>	<b>3,196</b>	<b>7,185</b>	<b>8,150</b>	<b>10,629</b>	<b>14,672</b>
Capital expenditure	-2,185	-2,155	-3,330	-3,330	-3,330
Adj FCF	1,011	5,031	4,820	7,299	11,342
<b>Cash flow from investing activities (b)</b>	<b>-1,351</b>	<b>-5,144</b>	<b>-2,332</b>	<b>-3,615</b>	<b>-3,473</b>
Debt	494	-3,396	-2,800	-2,800	280
Dividend	-	-	-	-	-
Interest and lease	-1,924	-1,777	-1,312	-743	-729
<b>Cash flow from financing activities (c)</b>	<b>-1,384</b>	<b>-5,173</b>	<b>-4,112</b>	<b>-3,543</b>	<b>-449</b>
<b>Net change in cash (a+b+c)</b>	<b>2,120</b>	<b>-1,662</b>	<b>3,019</b>	<b>4,214</b>	<b>11,480</b>

Source: Company, SMIFS Research Estimates

## Disclaimer

### Analyst Certification:

We /I, the above-mentioned Research Analyst(s) of SMIFS Limited (in short “SMIFS / the Company”), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

### Terms & Conditions and Other Disclosures:

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising



out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to time may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report or at the time of Public Appearance.

SMIFS does not have proprietary trades but may at a future date, opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested.

The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing, however the same shall have no bearing whatsoever on the specific recommendations made by the analysts, as the recommendations made by the analysts are completely independent views of the Associates of SMIFS even though there might exist an inherent conflict of interest in some of the stocks mentioned in the Research Report.

The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.



SMIFS or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

SMIFS or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

SMIFS or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at [www.nseindia.com](http://www.nseindia.com) and/or [www.bseindia.com](http://www.bseindia.com), [www.mcxindia.com](http://www.mcxindia.com) and/or [www.icex.com](http://www.icex.com).

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SMIFS and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

## Specific Disclosures

1. SMIFS, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2. SMIFS, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company.
3. SMIFS, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months.
4. SMIFS, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report.
5. Research Analyst has not served as director/officer/employee in the subject company
6. SMIFS has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. SMIFS has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8. SMIFS has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months.
9. SMIFS has not received any compensation or other benefits from third party in connection with the research report.
10. SMIFS has not engaged in market making activity for the subject company

Analyst holding in stock: **NO**

---

## Key to SMIFS Investment Rankings

Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return < -5%

---

## Contact us:

**SMIFS Limited.** (<https://www.smifs.com/>)

### Compliance Officer:

**Sudipto Datta,**

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: [compliance@smifs.com](mailto:compliance@smifs.com)

### Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: [institutional.equities@smifs.com](mailto:institutional.equities@smifs.com)

### Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: [smifs.institutional@smifs.com](mailto:smifs.institutional@smifs.com)

